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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values. Current Studies. Surveys. Forecasts.

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

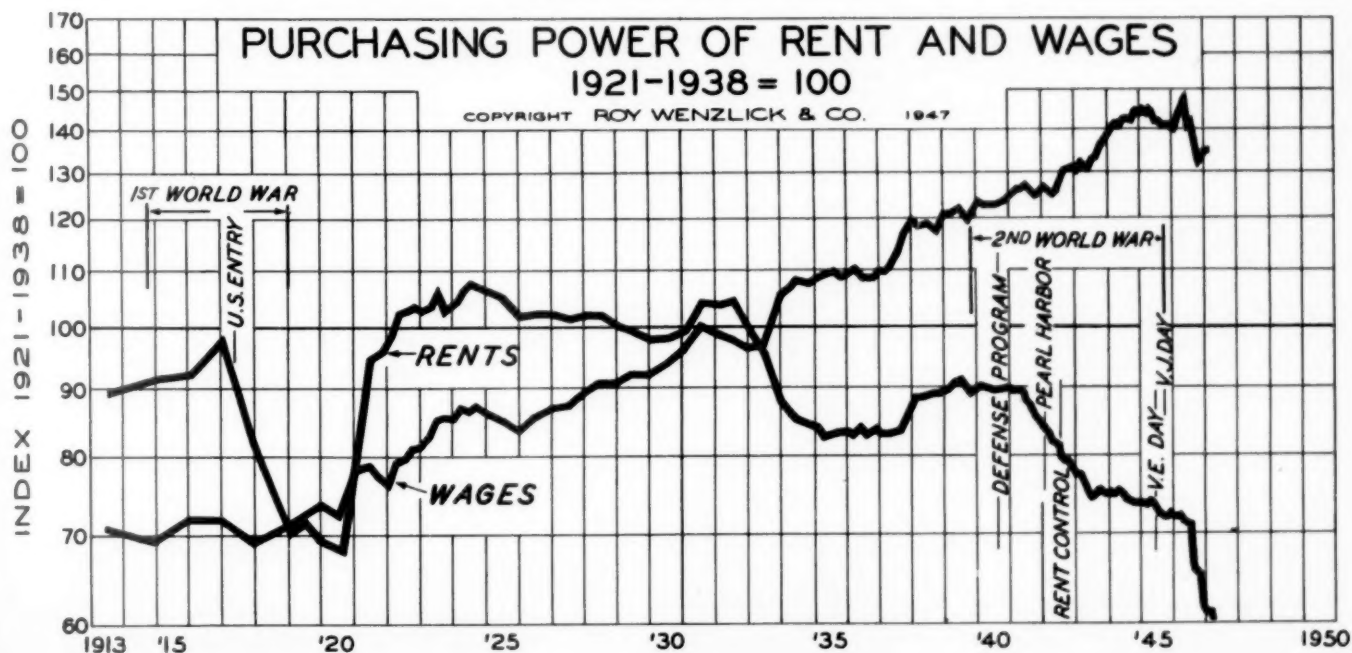
Number 21

SUBSIDIZED TENANTS

FEW laws of this country have been so callously administered or uselessly prolonged as the rent control laws, under which most tenants have been subsidized for the past five years. Government-paid subsidies, as a rule, are economic discriminations against the majority in favor of a minority. Rent control, as we have known it, amounts to a government-enforced subsidy paid by a minority to a politically important and articulate majority. We agree with the principle of rent control during periods of national emergency, and feel that a sudden and complete decontrol would accentuate for a while the difficulties of the housing shortage. Our chief quarrel with rent control has been with the brazen unfairness of its application and the stolid rigidity of the government in its attitude toward rent ceilings.

Approximately 50 per cent of the families in this country are tenants. Most of these families rent shelter because they do not want or cannot afford a home of their own. The greatly abused and much maligned landlord, mostly by his thrift and business acumen, has acquired the resources necessary to provide housing for these families who either would not or could not provide for themselves. Having furnished the housing for 50 per cent of the country, the landlord has for the past five years seen the fruits of his labor shrink from month to month as maintenance, operating and fixed expenses climbed while his rent schedule was held by government whim to a point 14 per cent below normal. During this time, in-

(cont. on page 169)



MORTGAGE INTEREST RATES

THE two charts on page 167 are particularly revealing when compared with each other. The mortgage interest rate and the dollar volume of mortgages on the Island of Manhattan chase each other up and down the page quite closely. First one leads the way up or down, then the other, but seldom are they more than a year apart in following the other's lead.

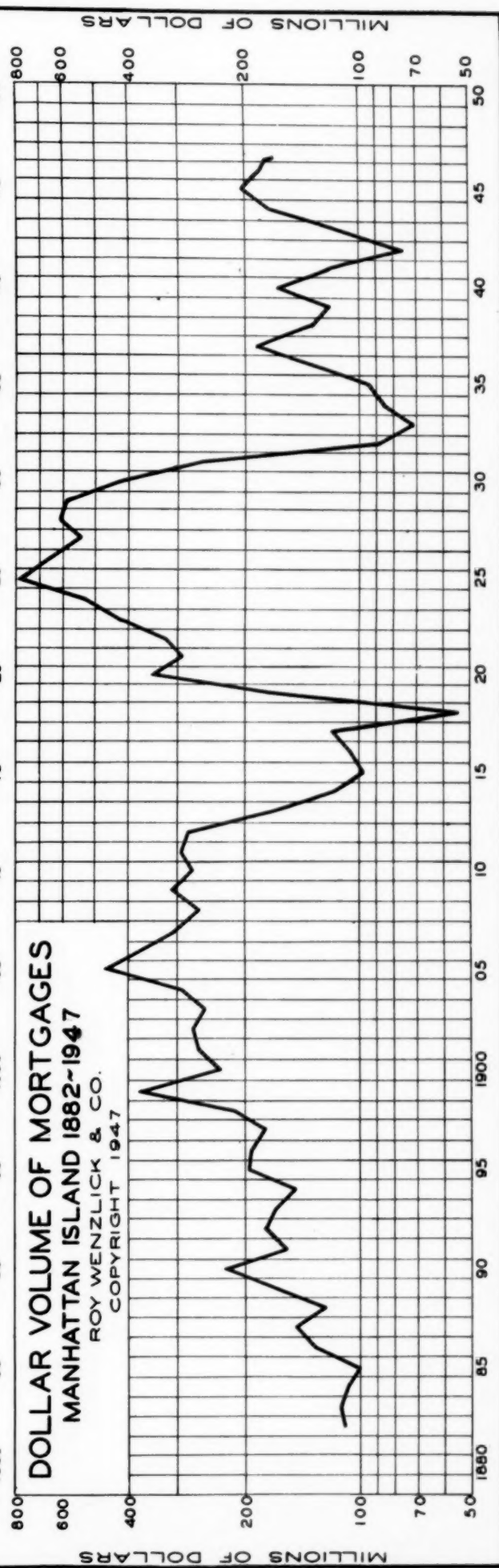
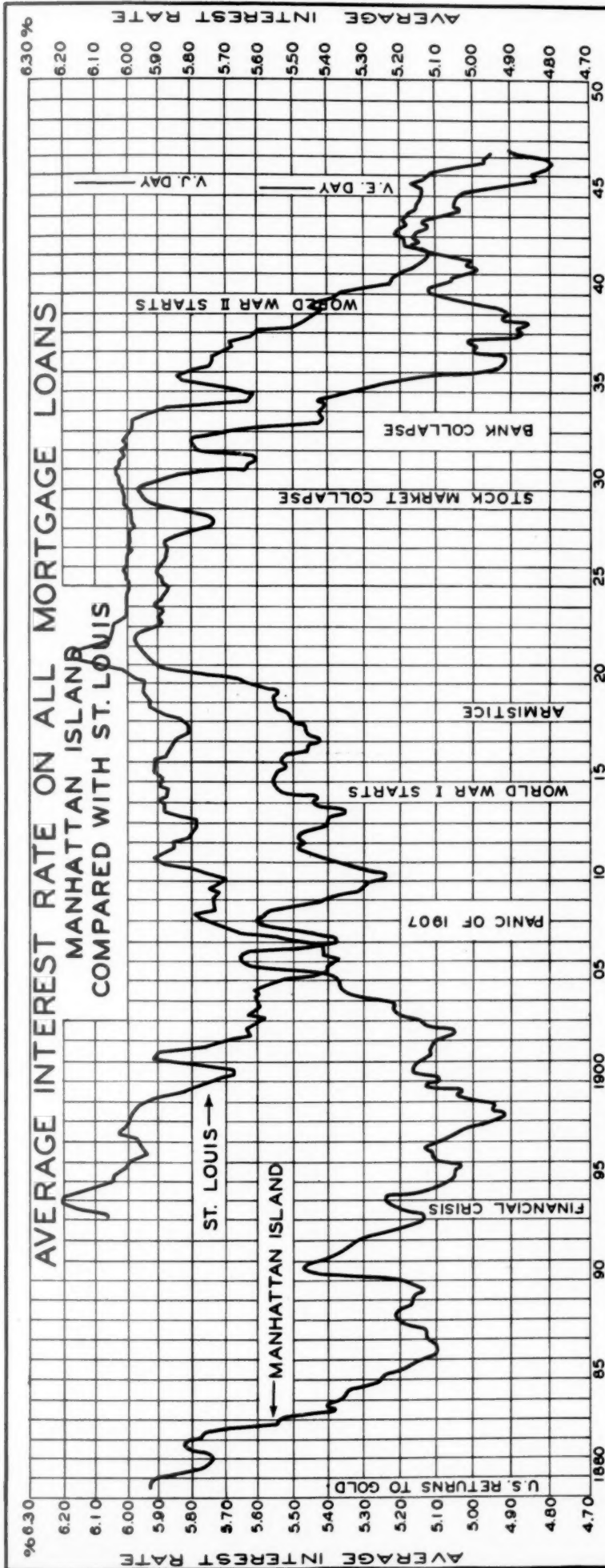
The most notable exception is found in the last few years, for in 1942 the dollar volume started up and finally, after a prolonged drop, the mortgage interest rate started drifting up in 1946, four years behind "schedule."

This delay in mortgage interest rates taking their natural bent was partly caused by the government's pressing for low interest rates for war financing. Since the war, the supply of investment money has worked to keep mortgage interest rates down.

Generally speaking, Manhattan interest rates are lower than those in other parts of the country, because so many lending institutions have headquarters in and around New York City, thereby making mortgage money more abundant and competition keener among lenders in that area. However, the terrific reproduction costs of today are finally gaining recognition in the money markets, and some lenders are becoming aware that a considerable amount of risk attaches to present-day financing. When more lenders become more appreciative of this hazard, money will tighten up and the interest rates will drift upward faster. This risk is particularly prevalent in the financing of single-family dwellings and other types of property where the amount of the loan is determined by the replacement cost. Although this type of loan represents a large percentage of present-day financing in other parts of the country, there is very little financing of this nature done in Manhattan.

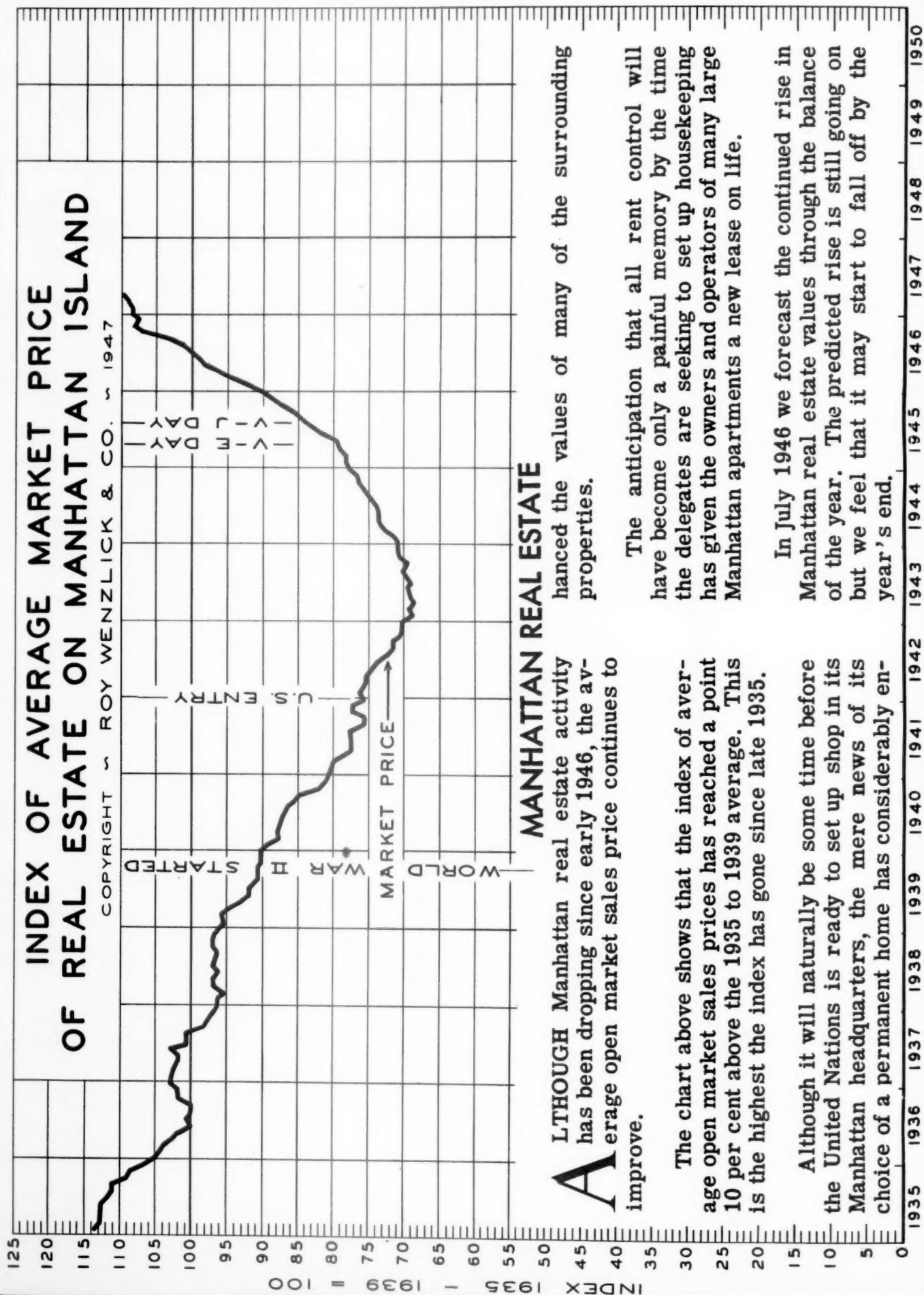
High replacement costs, therefore, will not drive interest rates up on Manhattan Island nearly so fast or so far as in other sections of the country. There are two reasons for this: 1. The majority of loans on Manhattan Island are made to finance or refinance large income properties. The amount of the loan in these instances is based not on the replacement cost but on the anticipated net income from the property. 2. Existing buildings are benefited, for high replacement costs tend to slow the rate at which competing buildings are erected, thereby making loans on the existing properties less risky. This fact is more strikingly illustrated by the chart comparing mortgage interest rates in St. Louis with those of Manhattan. The St. Louis mortgages are primarily mortgages on single-family dwellings and a brief glance at the chart will show that with the exception of one short period, St. Louis mortgage interest rates have been well above the Manhattan rate since 1893.

One rather elusive imponderable forces itself into any prognostication regarding interest rates. The government is definitely committed to a policy of low interest rates for FHA and veterans' loans. How far will the government be willing to go, and what monetary manipulations will it deem advisable (or necessary) in order to assure continued success of its policy?



INDEX OF AVERAGE MARKET PRICE OF REAL ESTATE ON MANHATTAN ISLAND

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MANHATTAN REAL ESTATE

ALTHOUGH Manhattan real estate activity has been dropping since early 1946, the average open market sales price continues to improve.

The chart above shows that the index of average open market sales prices has reached a point 10 per cent above the 1935 to 1939 average. This is the highest the index has gone since late 1935.

Although it will naturally be some time before the United Nations is ready to set up shop in its Manhattan headquarters, the mere news of its choice of a permanent home has considerably en-

hanced the values of many of the surrounding properties.

The anticipation that all rent control will have become only a painful memory by the time the delegates are seeking to set up housekeeping has given the owners and operators of many large Manhattan apartments a new lease on life.

In July 1946 we forecast the continued rise in Manhattan real estate values through the balance of the year. The predicted rise is still going on but we feel that it may start to fall off by the year's end.

(cont. from page 165)

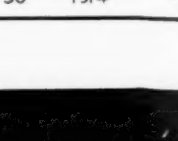
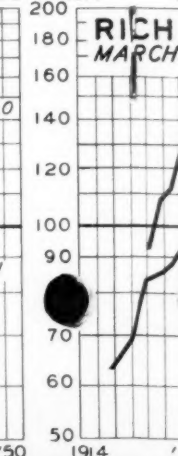
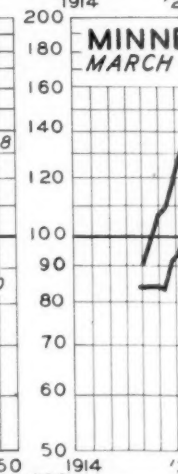
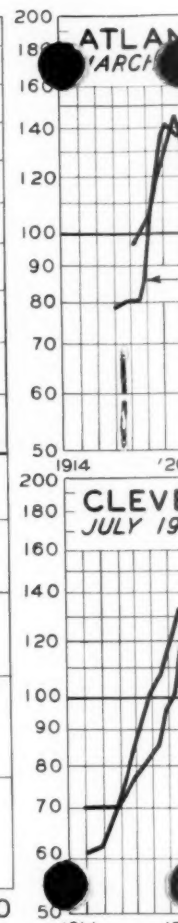
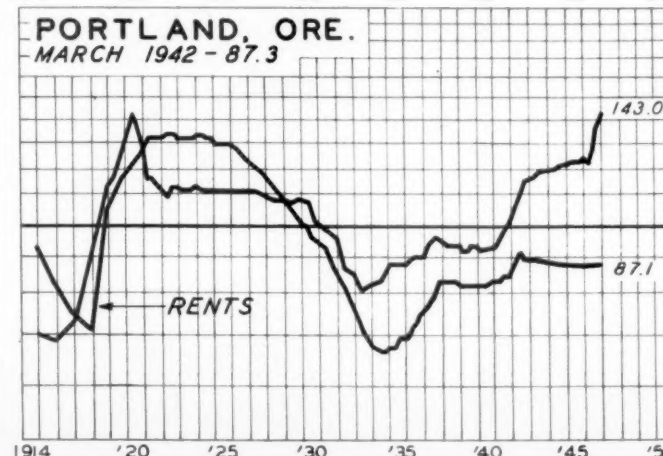
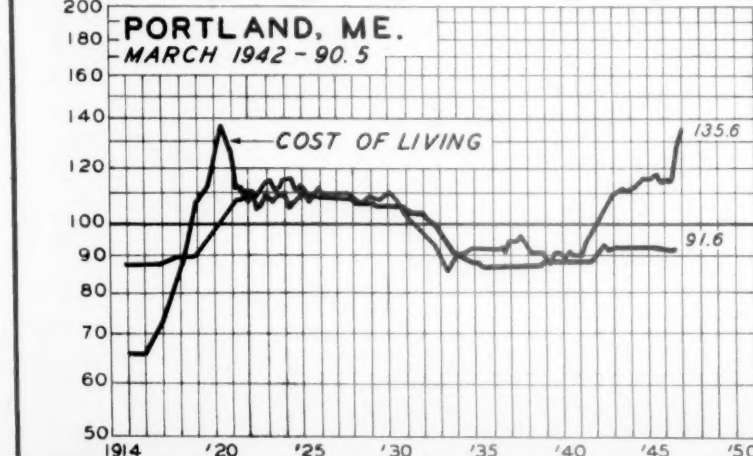
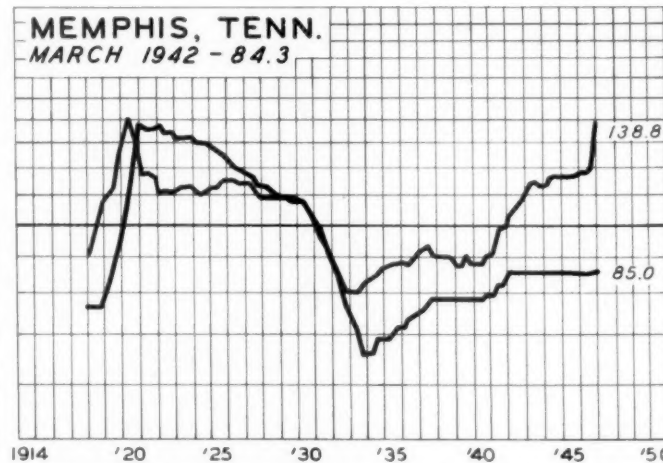
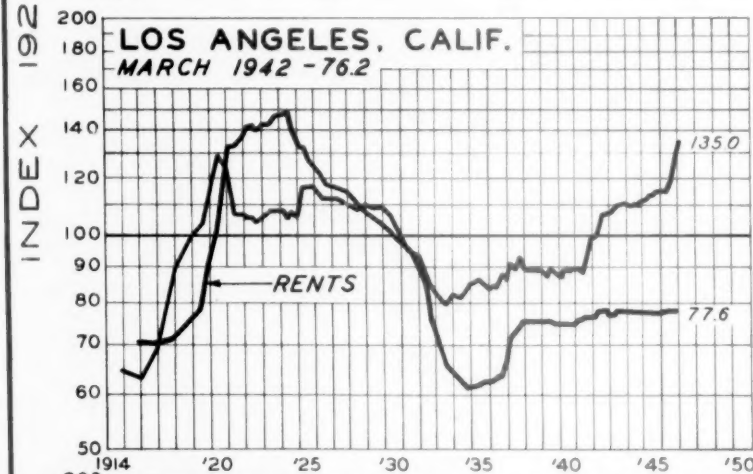
sult has been heaped upon injury by various government spokesmen who have propagandized him as a profiteer and Shylock and have trotted out fancy statistical evidence to show that he was getting rich at the expense of the poor tenant, pointing with almost righteous indignation to the low vacancy record. That the real estate owners are being forced to subsidize their tenants is evidenced by the wide divergence between the purchasing power of rents and the purchasing power of wages.

The chart on page 165 pictures clearly the unfairness of rigidly controlled rents. The blue line represents wages divided by the cost of living, while the red line represents rents divided by the cost of living. As the cost of living has risen, the red line shows how the buying power of rents has gone down. In other words, the owners of real estate are receiving in rent an amount sufficient only to provide 60 per cent of the purchasing power which this same owner enjoyed during the average of the eighteen-year (1921-1938) base period, and from this reduced gross rental he must pay the greatly increased operating, maintenance and fixed expenses of his property, as well as the increases in his own cost of living. On the other hand, the average employed person is now earning enough in wages to provide a standard of living approximately 35 per cent higher than he enjoyed before the war. Naturally, the reason the real estate owners' purchasing power has gone down is because rents have not been allowed to rise with other items in the cost of living index. If rents had been allowed to rise, the available housing space would have been distributed more efficiently and the present housing shortage would not have become so acute.

Due to the fact that low rents leave more of the family budget to be spent on food, clothing, entertainment, etc., one does not have to stretch the imagination to see how a great many more people than the tenants are benefiting at the expense of the real estate owners.

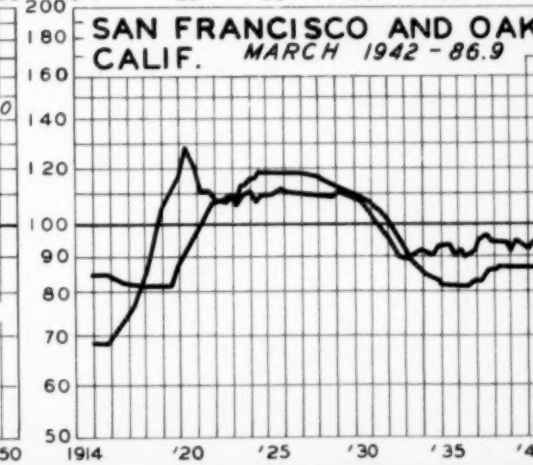
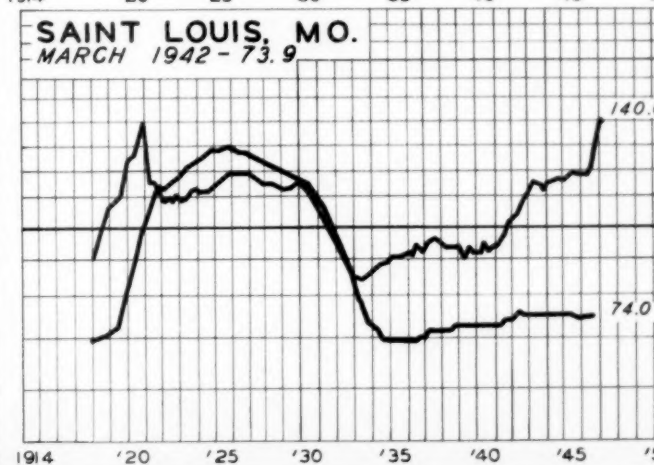
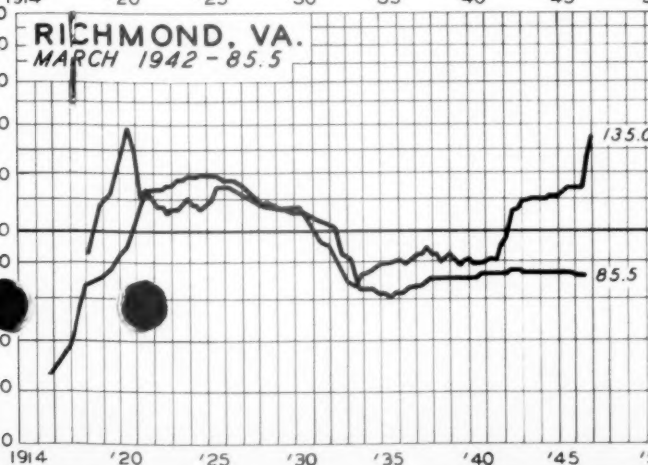
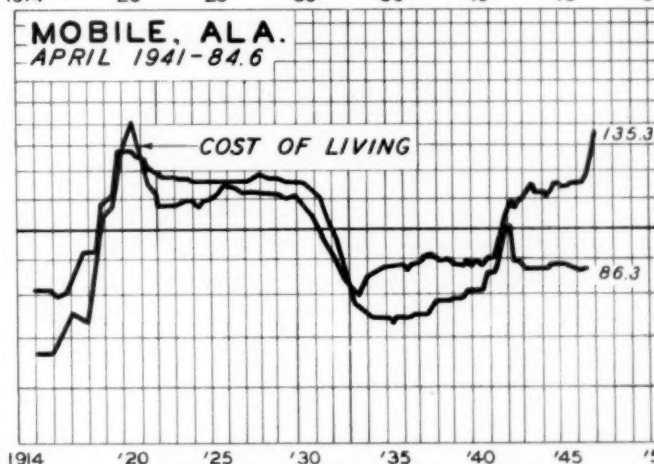
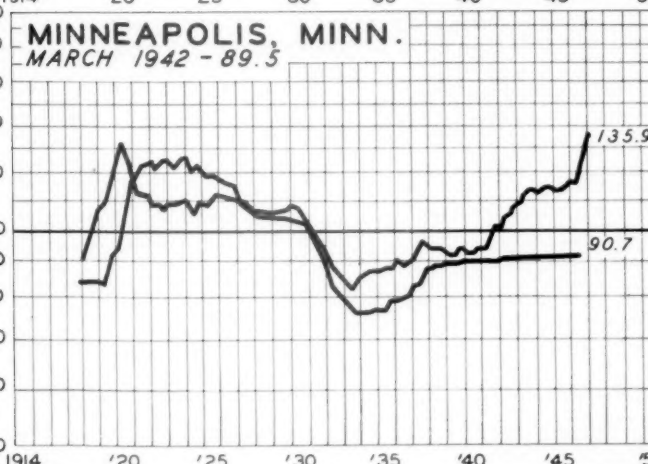
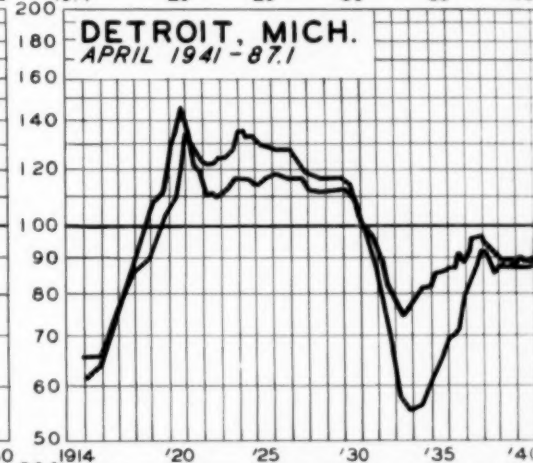
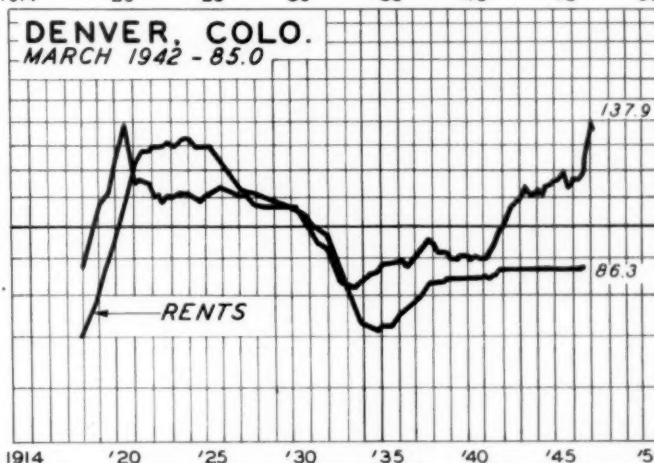
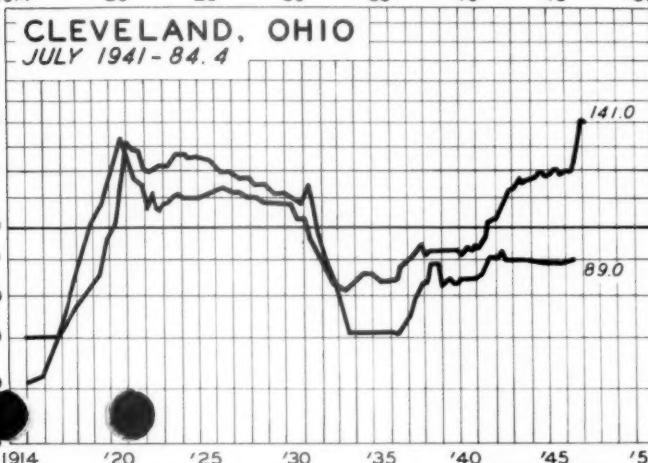
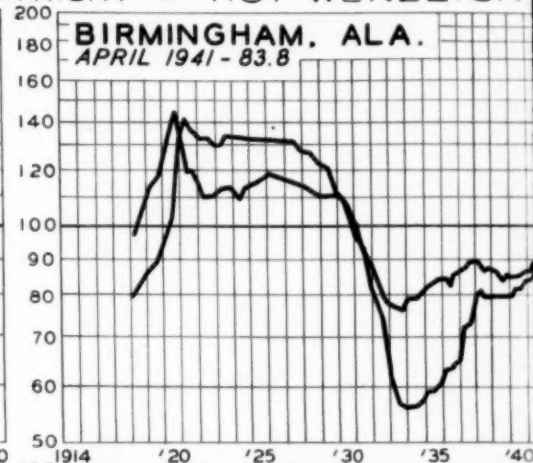
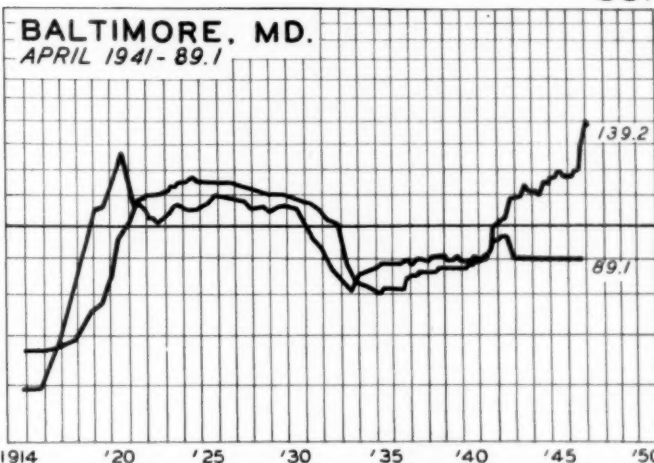
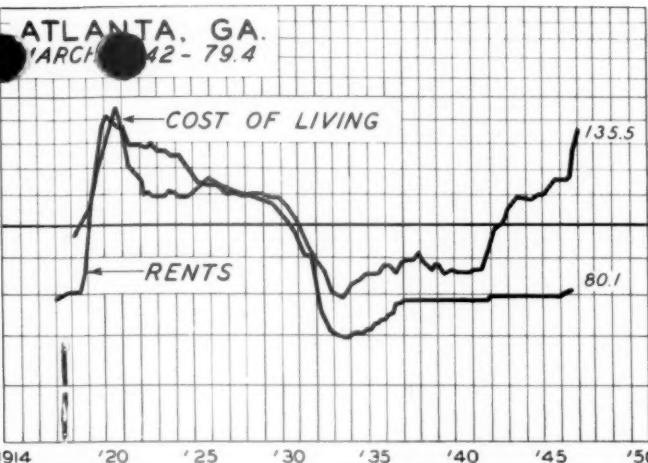
On the center spread of this report is shown a comparison of the cost of living with residential rent in 32 cities of the United States from 1914 to the present. Both the cost of living figures and the rent figures are derived from the indexes of the Bureau of Labor Statistics of the United States Department of Labor.

Each series has been expressed in relationship to the base 1921 to 1938 equals 100. This period of eighteen years was selected for several reasons. In the first place, it contains both the good years in the twenties and the bad years in the thirties in about equal number. In the second place, it is the approximate length of the real estate cycle which over 150 years has averaged eighteen and four-tenths years. It would be unfair to compare rents with either a low or a high portion of the cycle, and so one complete swing is considered as the best base. It will be noticed on the national average chart that the cost of living has now advanced to a point 43 per cent above the eighteen-year average, while rents at the present time are 14.2 below the eighteen-year average, having made practically no advance. It should also be remembered that the cost of living figures include rents. If rents were excluded from these figures, the cost of living on all items other than rents would show an advance much greater than that shown on this chart. The date and figures on the chart right below the name of the city indicate the month in which rents were frozen and the level at the freezing date.



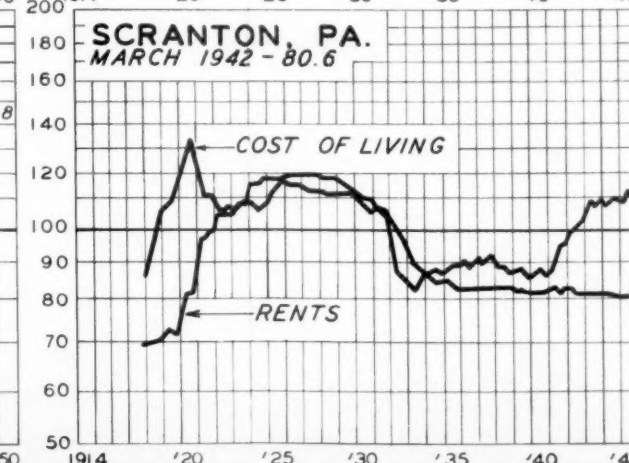
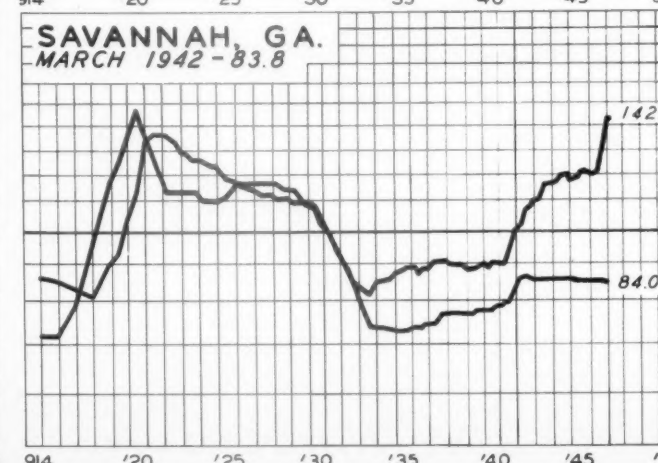
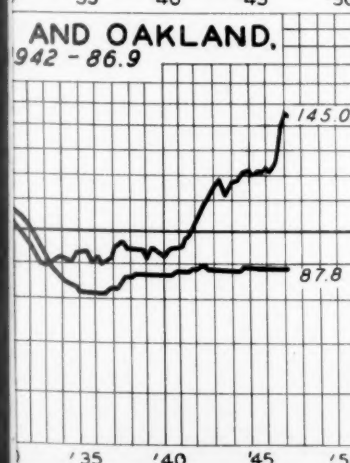
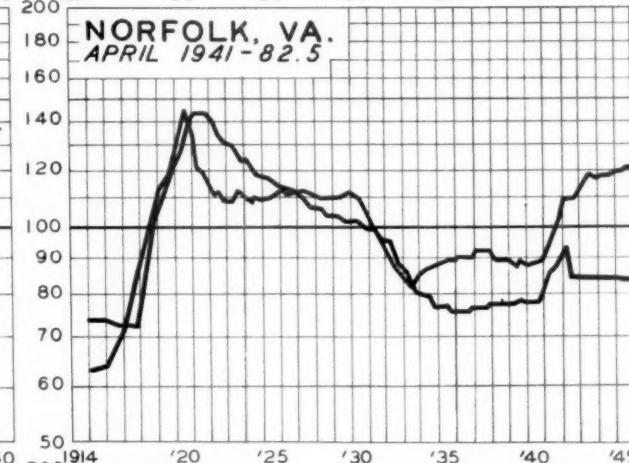
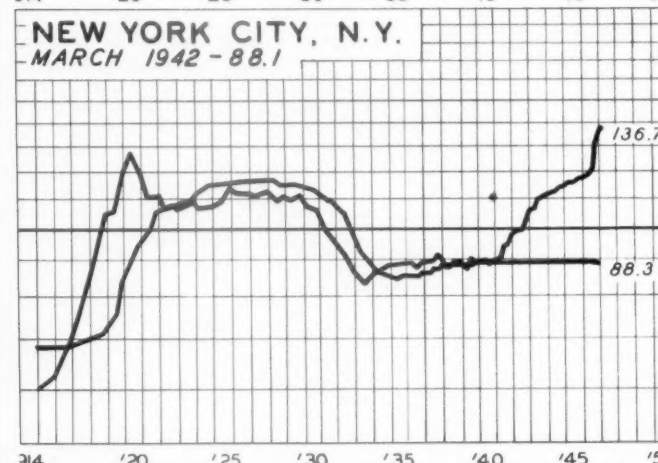
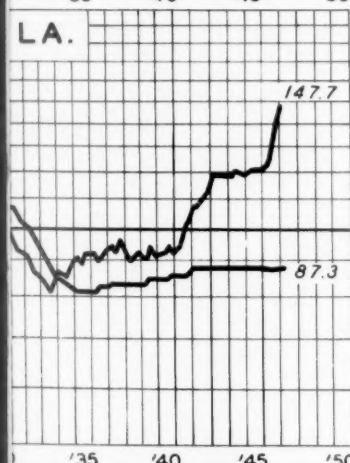
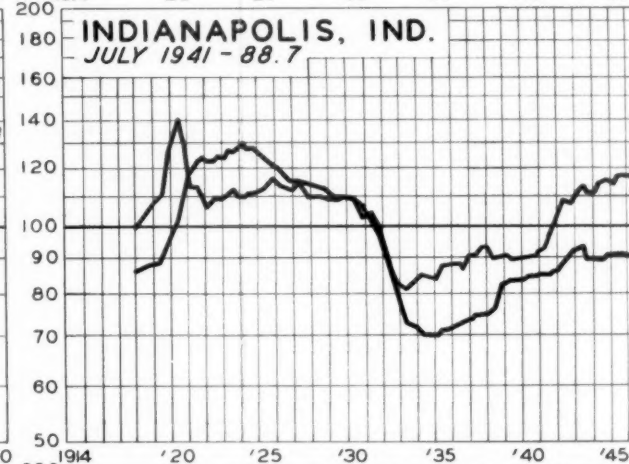
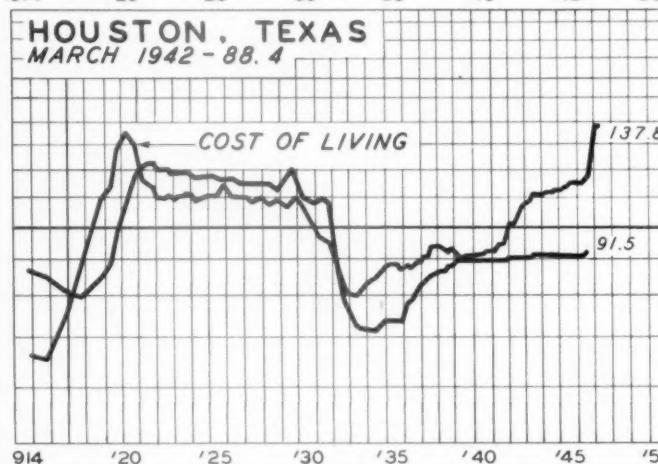
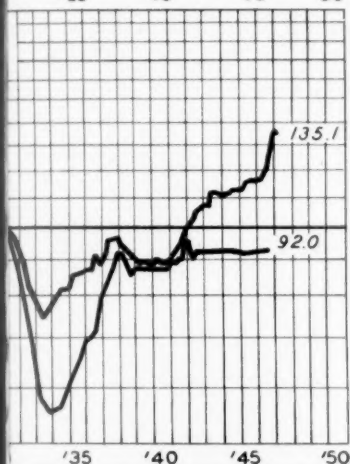
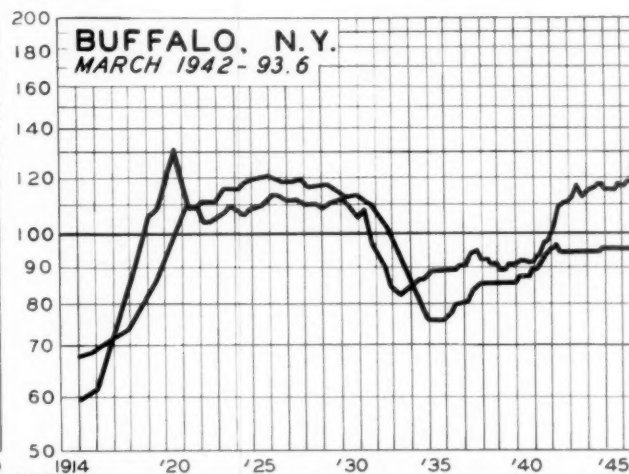
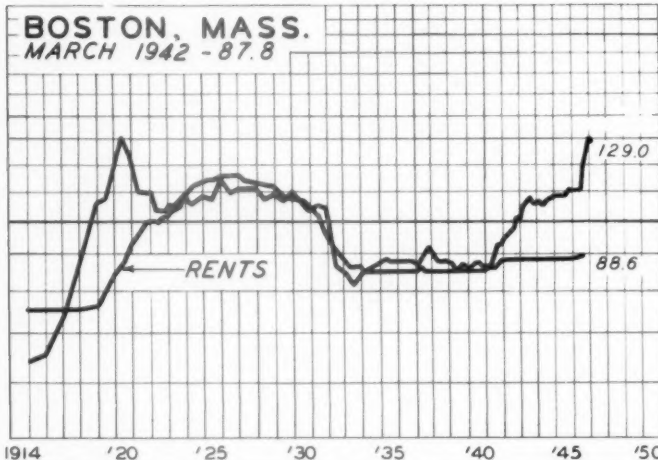
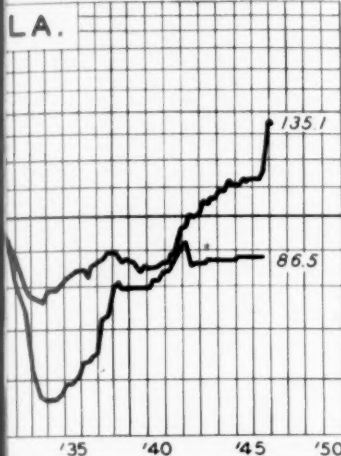
RESIDENTIAL RENTS AND COST

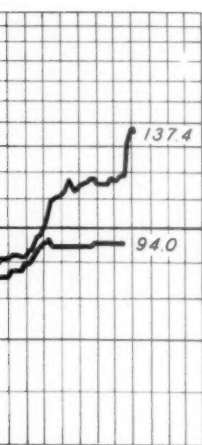
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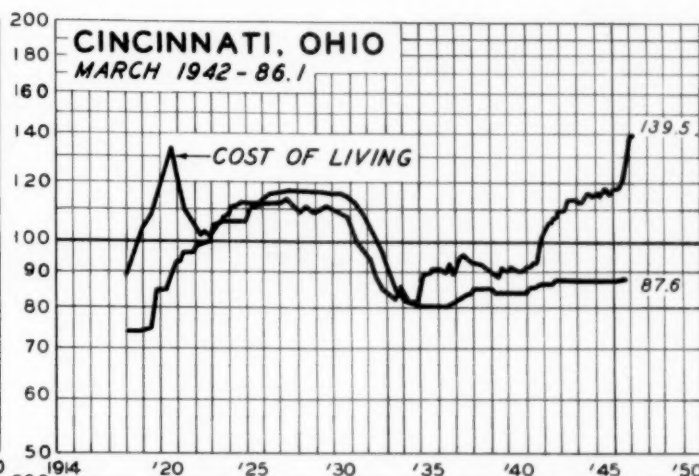
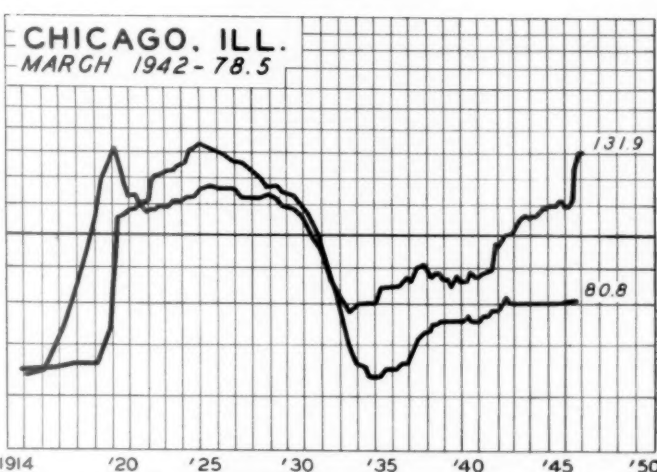
COST OF LIVING IN 32 CITIES

ENZLICK & CO. - 1947

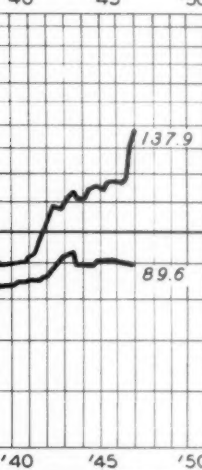




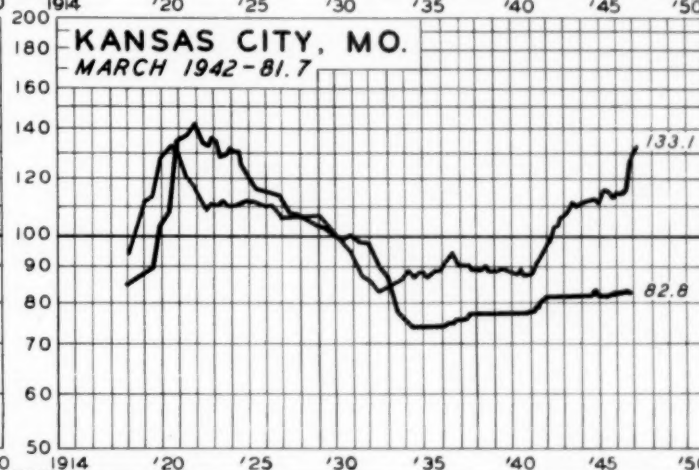
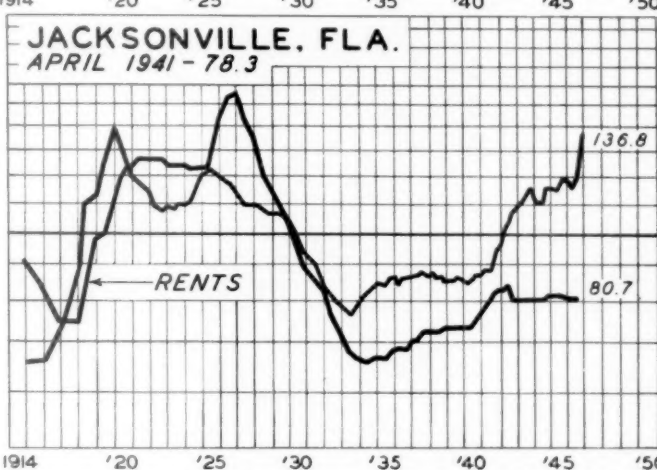
CHICAGO, ILL.
MARCH 1942 - 78.5



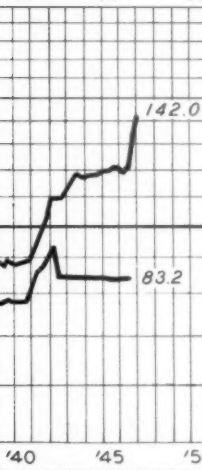
CINCINNATI, OHIO
MARCH 1942 - 86.1



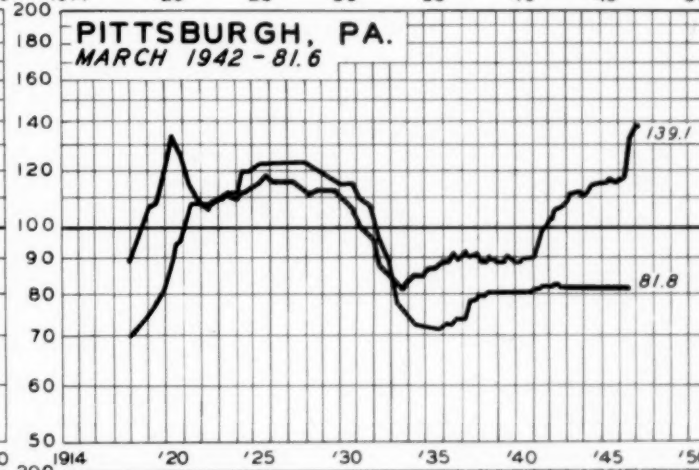
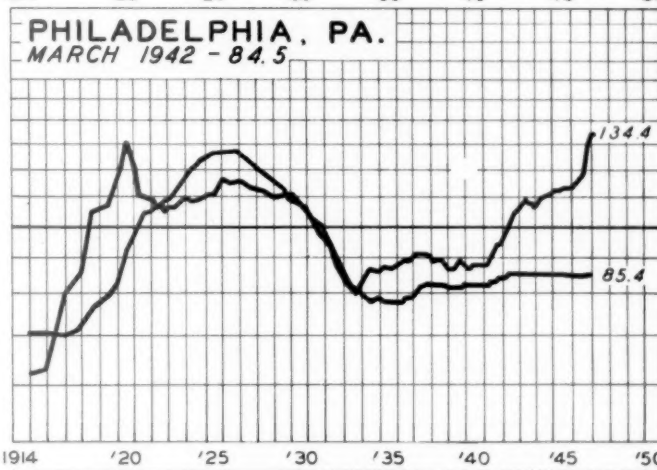
JACKSONVILLE, FLA.
APRIL 1941 - 78.3



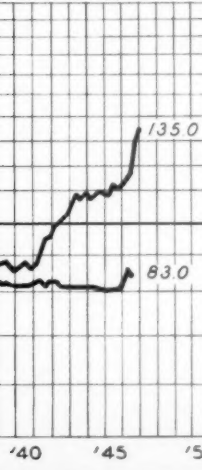
KANSAS CITY, MO.
MARCH 1942 - 81.7



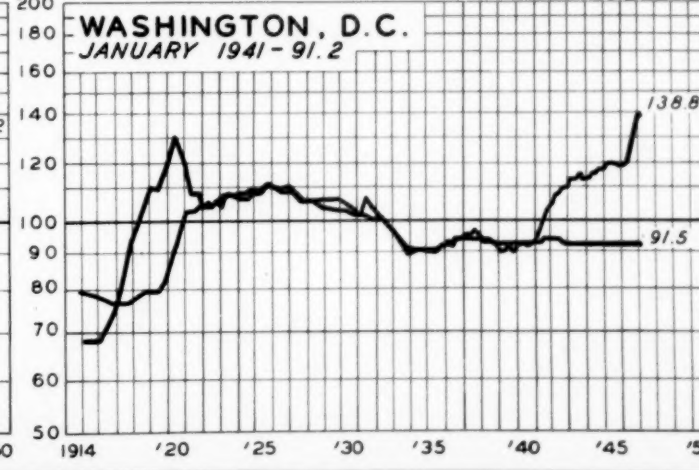
PHILADELPHIA, PA.
MARCH 1942 - 84.5



PITTSBURGH, PA.
MARCH 1942 - 81.6



SEATTLE, WASH.
APRIL 1941 - 85.6



WASHINGTON, D.C.
JANUARY 1941 - 91.2

GOVERNMENT EXPENDITURES FROM 1910

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GOVERNMENT EXPENDITURES IN PEACETIME

THIS chart first appeared in the Real Estate Analyst of December 1942. It shows a comparison of the cost of the First and Second World Wars. The shrinkage in government expenditures in the recent past is quite striking and follows the pattern of the First World War period, but the rapid increase in the general expenses of government at the present time is quite alarming and is contrary to the First World War experience.

In preparing the material for this chart we went back over all the records of expenditures in the United States from 1789 to the present. We find that total expenditures for all purposes by the government, excluding public debt retirement, from 1789 to April 1947 totaled \$563,247,995,000. In the 144 years from 1789 to March 1, 1933, the beginning of the administration of Franklin Roosevelt, the total expenditures for all purposes except retirement of the public debt amounted to \$111,686,413,000. This included the cost of the First World War, the Civil War and the War of 1812. It included the Louisiana Purchase, the purchase of Alaska and the building of the Panama Canal. In the fourteen years which have elapsed since, we have spent \$451,561,582,000, or approximately \$340 billion more than we spent in the preceding 144 years.

Undoubtedly much of the Second World War expense was inevitable. The increase in the general expenses of government, however, since 1933, entirely apart from the expenses for the Army and Navy, shows the staggering cost of a so-called planned economy. It is high time that the revolt of the public, evident in the last year, forces the decentralization of government and the sloughing off of unnecessary government functions and employees.

It will be noticed that the general expenses of government are now averaging approximately \$1.2 billion per month. In the middle twenties these same functions of government cost \$94 million per month.

It will be noticed that the general expenses of government are now averaging approximately \$1.2 billion per month. In the middle twenties these same functions of government cost \$94 million per month. It should be pointed out that this general expense does not include any interest on the government debt nor the expenses incurred under the Servicemen's Readjustment Act, both of which are shown separately on the chart for the later period. Neither does it include the expenses of the Army and Navy. It seems to us that an increase in government expenses of 13 times the expenses during the boom period of the twenties places the burden of proof on the Administration in substantiating the claim that the Federal budget cannot be reduced.

BILLIONS OF DOLLARS PER MONTH

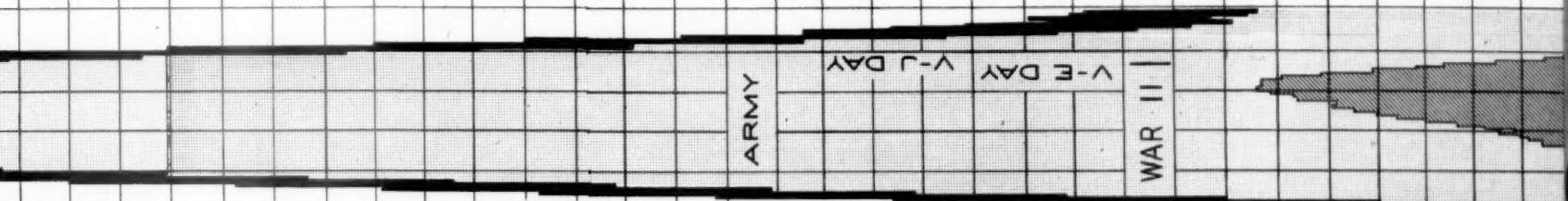
5.7
5.6
5.5
5.4
5.3
5.2
5.1
5.0
4.9
4.8
4.7
4.6
4.5
4.4
4.3
4.2
4.1
4.0
3.9
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2.8
2.7

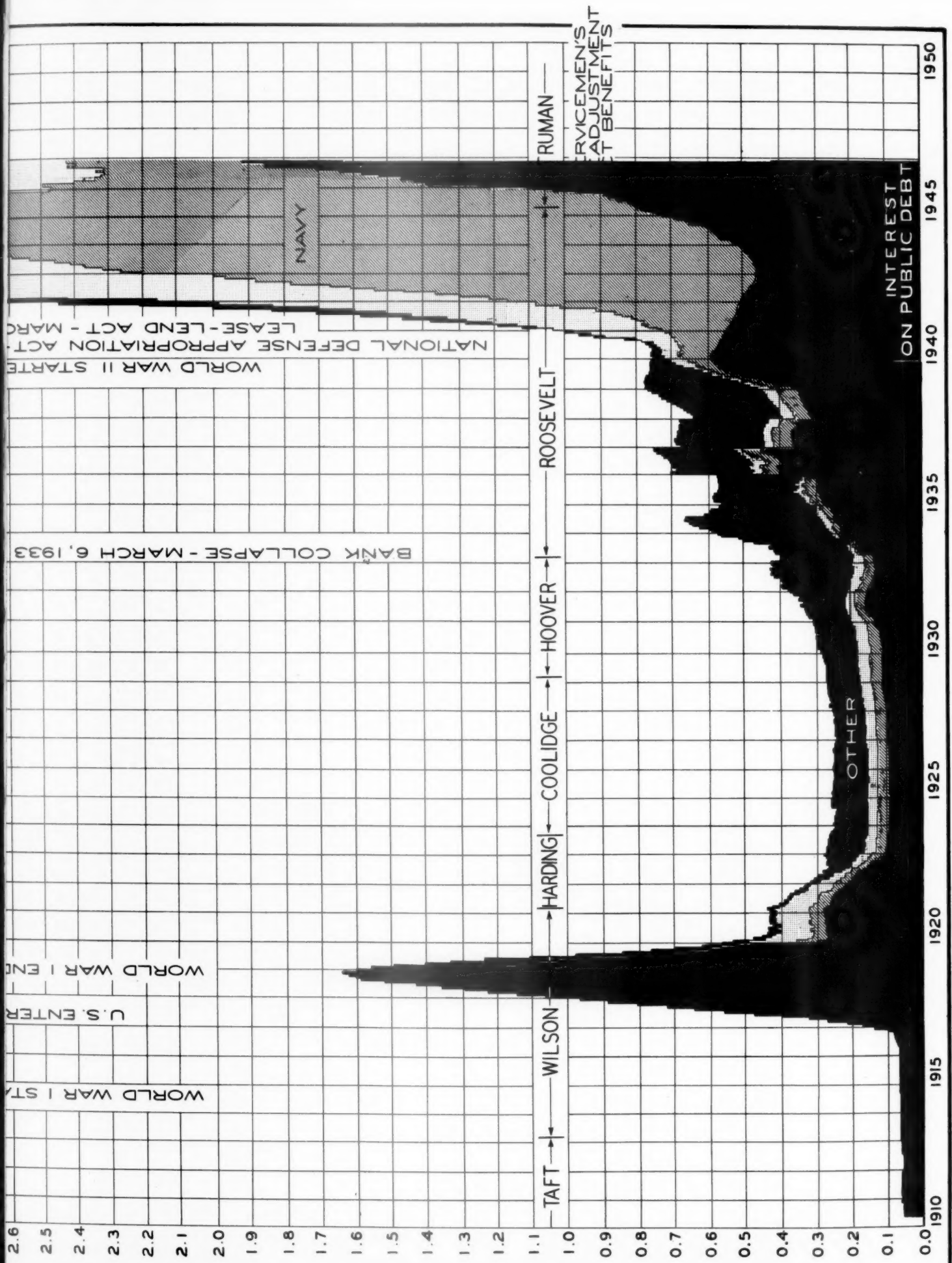
WORLD WAR I
STARTED - AUGUST 1, 1914
ENDED WAR - APRIL 6, 1917
ENDED - NOVEMBER 11, 1918

WORLD WAR II
D - SEPTEMBER 3, 1939
- JUNE 26, 1940
- H 11, 1941
U.S. ENTERED WAR - DECEMBER 8, 1941

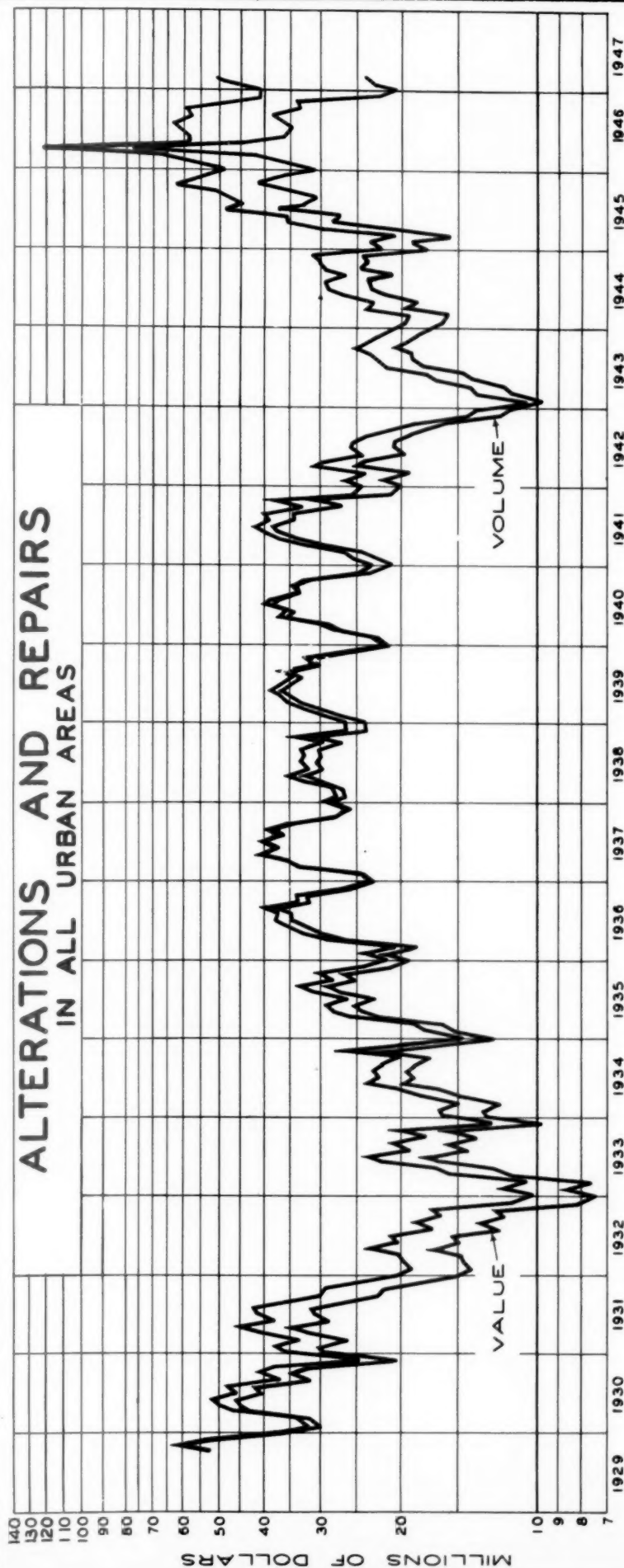
SELECTIVE SERVICE & TRAINING ACT - SEPTEMBER 16, 1940

ARMY
V-E DAY
V-J DAY





ALTERATIONS AND REPAIRS IN ALL URBAN AREAS



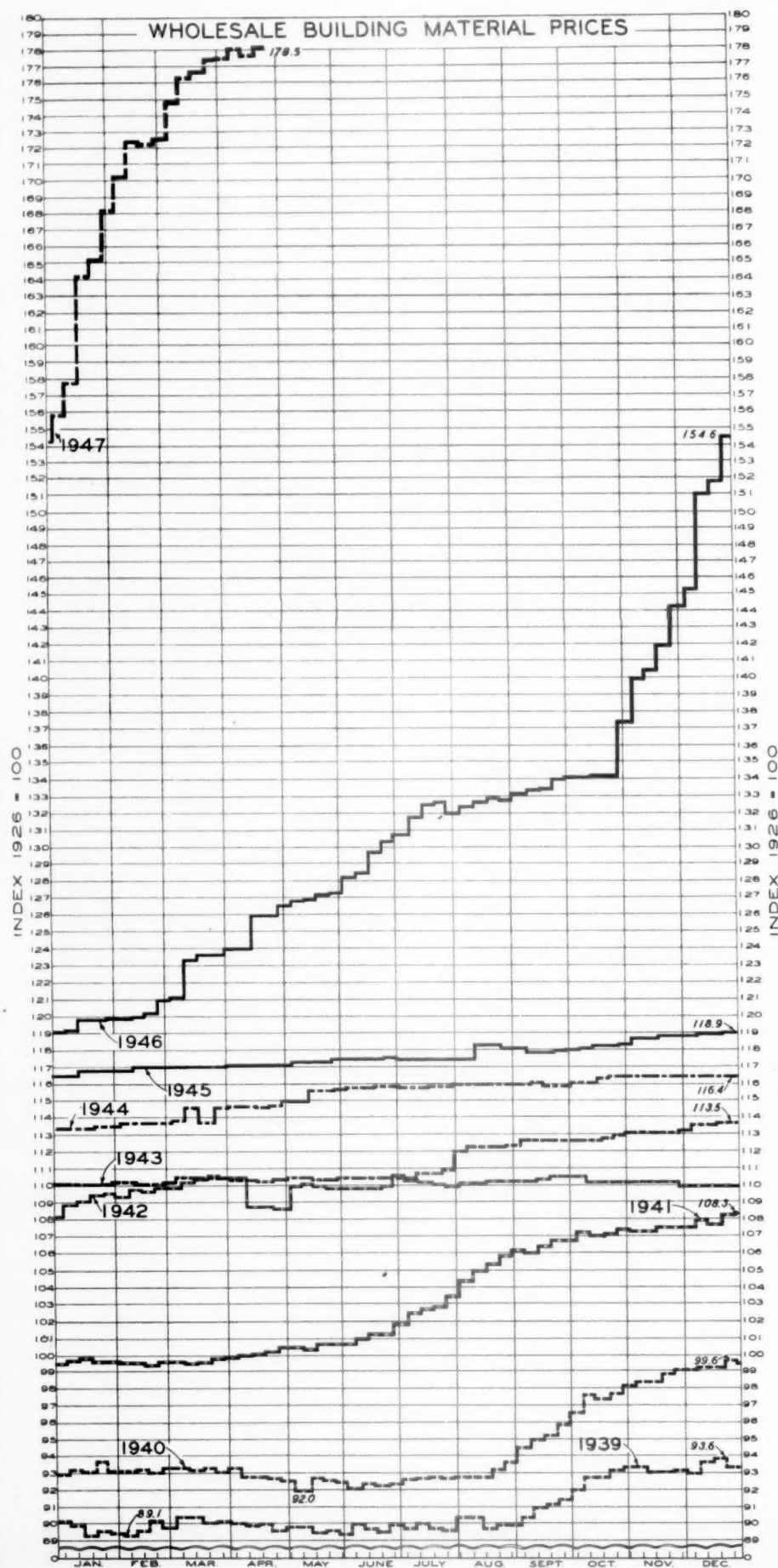
ALTERATIONS AND REPAIRS

THE chart above shows the dollar value and the estimated physical volume of alterations and repairs from September 1929 to the present. The line showing volume is the value line corrected for changing construction costs.

The only basis for a chart of this sort is a compilation of building permits, with the difficulty that a large volume of alterations and repairs is of insufficient size individually to require a building permit. For this reason, the dollar figures as shown by the chart are much too low. The percentage fluctuations are proba-

bly approximately correct.

Since about March of last year, the construction industry has expanded to a point where it is possible for many firms to build new quarters rather than patch up or stretch the old ones, and the volume and value of repairs and alterations once again started down. It is felt that the upturn shown in the first part of 1947 may be partly seasonal and partly caused by the high cost of new construction, some firms putting off new construction in lieu of repairs and alterations until it becomes more profitable to erect new facilities.



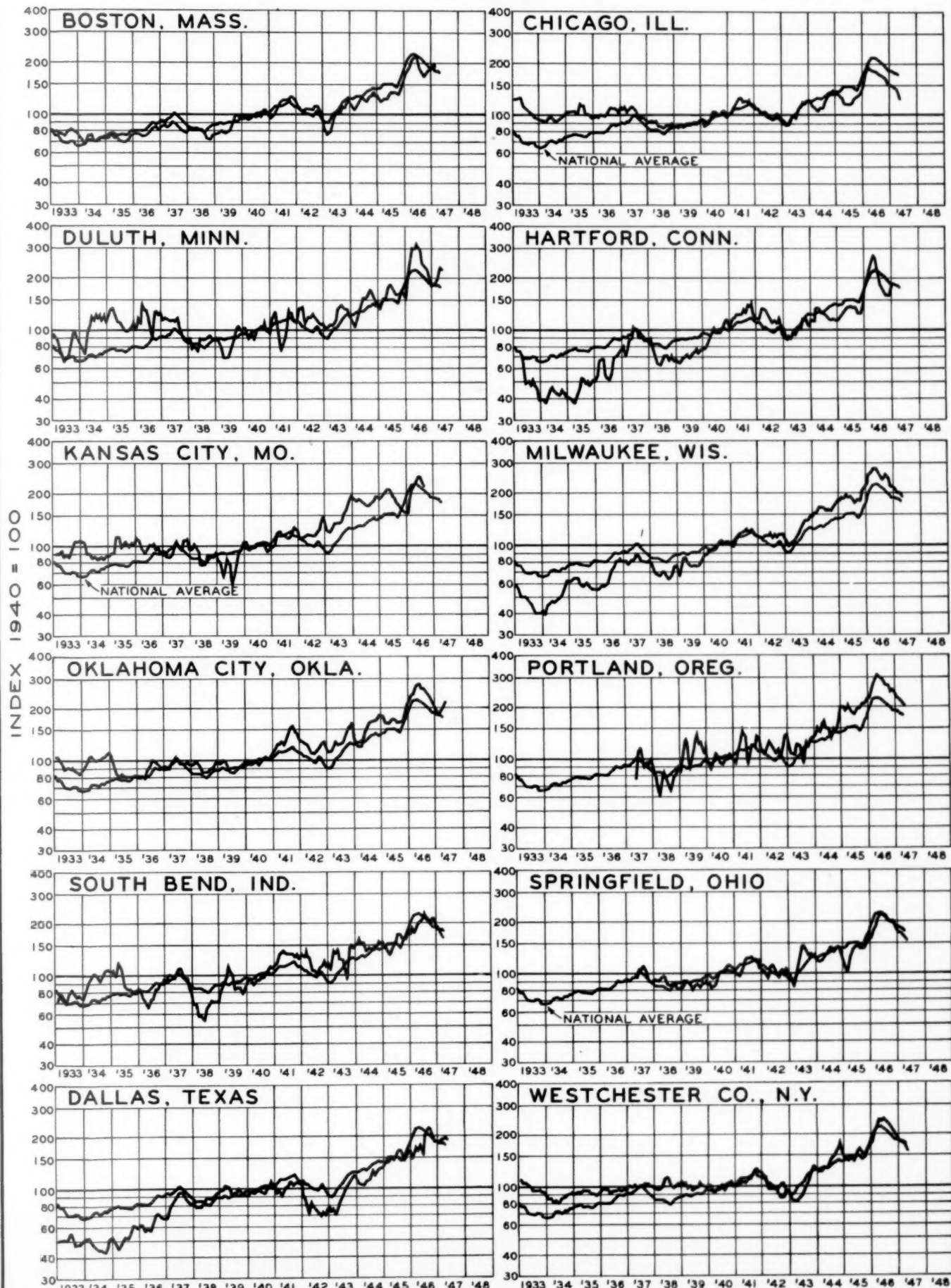
WHILE wholesale building material prices are unquestionably higher than ever before, they are only 5.6 per cent above the previous high point of April 1920. It is rather remarkable, considering the tremendously increased inflationary pressures of this post-war period in comparison with the last, that prices are not higher than they are.

We have expressed the belief several times in the past that building material prices would reach their peak some time in the spring or summer of 1947, and the chart to the left shows that their steep climb begun last October is beginning to slacken considerably.

We still believe that after a short leveling off period wholesale building material prices will start to drop. We do not anticipate anything quite so precipitous as the drop in 1920-1921, which saw building materials fall off 45 per cent in less than 18 months. After a drop this year and next, building material prices will probably "bounce" above the low point of the drop. Inventories, particularly lumber, should be watched quite closely for the next few months.

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS STARTED

1900 - 240,000	1907 - 440,000	1914 - 445,000	1921 - 449,000	1928 - 753,000	1935 - 221,000	1942 - 496,600
1901 - 340,000	1908 - 440,000	1915 - 475,000	1922 - 716,000	1929 - 509,000	1936 - 319,000	1943 - 350,000
1902 - 360,000	1909 - 580,000	1916 - 480,000	1923 - 871,000	1930 - 330,000	1937 - 336,000	1944 - 169,000
1903 - 400,000	1910 - 475,000	1917 - 230,000	1924 - 893,000	1931 - 254,000	1938 - 406,000	1945 - 225,300
1904 - 440,000	1911 - 480,000	1918 - 120,000	1925 - 937,000	1932 - 134,000	1939 - 515,000	1946 - 778,400
1905 - 480,000	1912 - 490,000	1919 - 330,000	1926 - 849,000	1933 - 93,000	1940 - 602,500	
1906 - 480,000	1913 - 455,000	1920 - 247,000	1927 - 810,000	1934 - 126,000	1941 - 715,200	

MONTHLY FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	30,700	42,900	42,900	53,300	45,900	44,200	51,200	42,400	42,900	45,100	41,200
1940	25,700	36,900	46,000	62,900	57,000	44,100	57,600	55,800	58,400	66,200	44,900	47,000
1941	41,200	43,700	60,200	75,200	70,700	77,200	74,600	69,800	67,000	56,200	46,600	32,800
1942	34,500	51,300	52,700	59,700	60,600	46,300	26,700	27,500	40,400	32,200	30,400	34,300
1943	45,000	40,100	33,000	26,700	33,600	21,800	24,200	27,600	24,300	28,100	26,100	19,500
1944	17,300	13,500	18,100	14,300	16,500	17,500	14,500	12,800	11,300	10,800	11,600	10,800
1945	7,600	8,400	12,300	18,300	16,900	20,300	20,100	17,100	17,900	25,500	30,600	30,300
1946	41,200	50,500	68,900	79,400	83,900	79,400	80,200	80,700	65,500	58,500	49,800	40,400
1947	42,100	41,200	53,400									

CUMULATIVE FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	63,000	105,900	148,800	202,100	248,000	292,200	343,400	385,800	428,700	473,800	515,000
1940	25,700	62,600	108,600	171,500	228,500	272,600	330,200	386,000	444,400	510,600	555,500	602,500
1941	41,200	84,900	145,100	220,300	291,000	368,200	442,800	512,600	579,600	635,800	682,400	715,200
1942	34,500	85,800	138,500	198,200	258,800	305,100	331,800	359,300	399,700	431,900	462,300	496,600
1943	45,000	85,100	118,100	144,800	178,400	200,200	224,400	252,000	276,300	304,400	330,500	350,000
1944	17,300	30,800	48,900	63,200	79,700	97,200	111,700	124,500	135,800	146,600	158,200	169,000
1945	7,600	16,000	28,300	46,600	63,500	83,800	103,900	121,000	138,900	164,400	195,000	225,300
1946	41,200	91,700	160,600	240,000	323,900	403,300	483,500	564,200	629,700	688,200	738,000	778,400
1947	42,100	83,300	136,700									

12-MONTH MOVING TOTALS

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939												515,000
1940	508,400	514,600	517,700	537,700	541,400	539,600	553,000	557,600	573,600	596,900	596,700	602,500
1941	618,000	624,800	639,000	651,300	665,000	698,100	715,100	729,100	737,700	727,700	729,400	715,200
1942	708,500	716,100	708,600	693,100	683,000	652,100	604,200	561,900	535,300	511,300	495,100	496,600
1943	507,100	495,900	476,200	443,200	416,200	391,700	389,200	389,300	373,200	369,100	364,800	350,000
1944	322,300	295,700	288,000	268,400	251,300	247,000	237,300	222,500	209,500	192,200	177,700	169,000
1945	159,300	154,200	148,400	152,400	152,800	155,600	161,200	165,500	172,100	186,800	205,800	225,300
1946	258,900	301,000	357,600	418,700	485,700	544,800	604,900	668,500	716,100	749,100	768,300	778,400
1947	779,300	770,000	754,500									

ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS COMPLETED

NEW PERMANENT UNITS

	Monthly			Cumulative			TEMPORARY RE-USE, CONVERSIONS AND TRAILERS	
	Conventional	Factory-Built	Total	Conventional	Factory-Built	Total	Monthly	Cumulative
1946								
Jan.	17,500	1,200	18,700	17,500	1,200	18,700	6,200	6,200
Feb.	18,700	1,600	20,300	36,200	2,800	39,000	7,700	13,900
Mar.	20,400	2,200	22,600	56,600	5,000	61,600	8,600	22,500
Apr.	23,800	2,600	26,400	80,400	7,600	88,000	9,200	31,700
May	27,200	3,100	30,300	107,600	10,700	118,300	9,600	41,300
June	31,500	3,400	34,900	139,100	14,100	153,200	11,700	53,000
July	36,900	4,100	41,000	176,000	18,200	194,200	13,300	66,300
Aug.	38,300	3,900	42,200	214,300	22,100	236,400	17,100	83,400
Sept.	46,000	3,800	49,800	260,300	25,900	286,200	31,300	114,700
Oct.	49,600	4,900	54,500	309,900	30,800	340,700	30,500	145,200
Nov.	51,500	3,600	55,100	361,400	34,400	395,800	26,500	171,700
Dec.	55,200	2,800	58,000	416,600	37,200	453,800	32,200	203,900
1947								
Jan.	--	--	59,300	--	--	59,300	39,600	39,600
Feb.	--	--	59,800	--	--	119,100	35,000	74,600
Mar.	--	--	57,100	--	--	176,200		